

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

16-1050

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Ellis	<b>County</b> Cheboygan
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> July 23, 2004	<b>Date Accountant Report Submitted to State:</b> July 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised 1 2004.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686			
<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707	
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

July 23, 2004

To the Township Board  
Township of Ellis  
Cheboygan County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ellis, Cheboygan County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Ellis' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Township of Ellis, Cheboygan County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Ellis, Cheboygan County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS  
March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	28 084 59	27 779 04	-	-
Investments	56 030 57	96 099 96	1 100 67	-
Taxes receivable	3 446 85	5 694 69	-	-
Due from other funds	1 100 67	-	-	-
Land and improvements	-	-	-	-
Buildings	-	-	-	3 141 00
Equipment	-	-	-	44 486 18
				<u>3 633 98</u>
Total Assets	<u>88 662 68</u>	<u>129 573 69</u>	<u>1 100 67</u>	<u>51 261 16</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	1 100 67	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1 100 67</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	51 261 16
Fund balances:				
Unreserved:				
Undesignated	88 662 68	129 573 69	-	-
Total fund equity	<u>88 662 68</u>	<u>129 573 69</u>	<u>-</u>	<u>51 261 16</u>
Total Liabilities and Fund Equity	<u>88 662 68</u>	<u>129 573 69</u>	<u>1 100 67</u>	<u>51 261 16</u>

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

---

55 863 63

153 231 20

9 141 54

1 100 67

3 141 00

44 486 18

3 633 98

270 598 20

1 100 67

1 100 67

51 261 16

218 236 37

269 497 53

270 598 20

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	17 910 67	37 352 92	55 263 59
Other taxes	6 976 25	-	6 976 25
State revenue sharing	35 746 00	-	35 746 00
Charges for services – PTAF	7 045 94	-	7 045 94
Interest	2 470 89	2 200 59	4 671 48
Miscellaneous	6 852 02	-	6 852 02
Total revenues	<u>77 001 77</u>	<u>39 553 51</u>	<u>116 555 28</u>
Expenditures:			
Legislative:			
Township Board	2 890 71	-	2 890 71
General government:			
Supervisor	4 572 85	-	4 572 85
Assessor	8 062 90	-	8 062 90
Clerk	5 939 12	-	5 939 12
Board of Review	769 69	-	769 69
Treasurer	7 380 61	-	7 380 61
Township hall and grounds	5 394 79	-	5 394 79
Public safety:			
Fire protection	16 513 40	-	16 513 40
Public works:			
Sanitation	16 994 75	-	16 994 75
Highways and streets	-	12 786 55	12 786 55
Street lighting	757 34	-	757 34
Other:			
Payroll taxes	493 21	-	493 21
Pension	1 398 58	-	1 398 58
Total expenditures	<u>71 167 95</u>	<u>12 786 55</u>	<u>83 954 50</u>
Excess (deficiency) of revenues over expenditures	5 833 82	26 766 96	32 600 78
Fund balances, April 1	<u>82 828 86</u>	<u>102 806 73</u>	<u>185 635 39</u>
Fund Balances, March 31	<u>88 662 68</u>	<u>129 573 69</u>	<u>218 236 37</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	19 800 00	17 910 67	(1 889 33)
Other taxes	6 976 00	6 976 25	25
State revenue sharing	32 000 00	35 746 00	3 746 00
Charges for services – PTAF	5 000 00	7 045 94	2 045 94
Interest	1 200 00	2 470 89	1 270 89
Miscellaneous	6 795 00	6 852 02	57 02
Total revenues	<u>71 771 00</u>	<u>77 001 77</u>	<u>5 230 77</u>
Expenditures:			
Legislative:			
Township Board	3 200 00	2 890 71	(309 29)
General government:			
Supervisor	4 573 00	4 572 85	(15)
Assessor	8 500 00	8 062 90	(437 10)
Clerk	6 600 00	5 939 12	(660 88)
Board of Review	1 000 00	769 69	(230 31)
Treasurer	7 700 00	7 380 61	(319 39)
Township hall and grounds	5 400 00	5 394 79	(5 21)
Public safety:			
Fire protection	16 600 00	16 513 40	(86 60)
Public works:			
Sanitation	17 500 00	16 994 75	(505 25)
Highways and streets	-	-	-
Street lighting	780 00	757 34	(22 66)
Other:			
Payroll taxes	800 00	493 21	(306 79)
Pension	1 600 00	1 398 58	(201 42)
Contingency	2 227 00	-	(2 227 00)
Total expenditures	<u>76 480 00</u>	<u>71 167 95</u>	<u>(5 312 05)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
35 800 00	37 352 92	1 552 92
-	-	-
-	-	-
-	-	-
1 200 00	2 200 59	1 000 59
-	-	-
<u>37 000 00</u>	<u>39 553 51</u>	<u>2 553 51</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
54 025 00	12 786 55	(41 238 45)
-	-	-
-	-	-
-	-	-
-	-	-
<u>54 025 00</u>	<u>12 786 55</u>	<u>(41 238 45)</u>

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	(4 709 00)	5 833 82	10 542 82
Fund balances, April 1	<u>78 976 43</u>	<u>82 828 86</u>	<u>3 852 43</u>
Fund Balances, March 31	<u>74 267 43</u>	<u>88 662 68</u>	<u>14 395 25</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
(17 025 00)	26 766 96	43 791 96
<u>101 997 59</u>	<u>102 806 73</u>	<u>809 14</u>
<u>84 972 59</u>	<u>129 573 69</u>	<u>44 601 10</u>

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ellis, Cheboygan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ellis. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

The special revenue fund is used to account for specific governmental revenues requiring separate accounting due to legal or regulatory provisions or administrative action.

Fiduciary Fund

This fund is used to account for assets held in trust or as an agent for others.

Account Group

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.8385 mills, and the taxable value was \$19,528,214.00.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>55 863 63</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	92 895 84
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>92 895 84</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>153 231 20</u>
Total Investments				<u>153 231 20</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	3 141 00	-	-	3 141 00
Buildings	44 486 18	-	-	44 486 18
Equipment	<u>3 633 98</u>	<u>-</u>	<u>-</u>	<u>3 633 98</u>
Totals	<u>51 261 16</u>	<u>-</u>	<u>-</u>	<u>51 261 16</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 100 67</u>	Current Tax Collection	<u>1 100 67</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. The covered employees also contribute to the plan. The net pension expense for the fiscal year ended March 31, 2004, was \$1,398.58.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Ellis does not issue building permits. Building permits are issued by the County of Cheboygan.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	
Supplies	1 869 37
Advertising	206 71
Dues	81 50
Miscellaneous	388 37
	<u>344 76</u>
Supervisor:	<u>2 890 71</u>
Salary	
Salary – deputy	3 661 96
Mileage	456 00
Miscellaneous	319 28
	<u>135 61</u>
Assessor:	<u>4 572 85</u>
Salary	
Contracted services	6 500 04
Mileage	715 00
Miscellaneous	721 75
	<u>126 11</u>
Clerk:	<u>8 062 90</u>
Salary	
Salary – deputy	5 400 00
Supplies	38 00
Mileage	238 51
Miscellaneous	109 80
	<u>152 81</u>
Board of Review:	<u>5 939 12</u>
Wages	
Miscellaneous	433 17
	<u>336 52</u>
Treasurer:	<u>769 69</u>
Salary	
Salary – deputy	5 600 04
Equalization	456 00
Mileage	531 84
Miscellaneous	166 54
	<u>626 19</u>
Township hall and grounds:	<u>7 380 61</u>
Insurance	
Miscellaneous	3 024 00
	<u>2 370 79</u>
	<u>5 394 79</u>

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Fire protection:	
Contracted services	<u>16 513 40</u>
Sanitation:	
Salary	4 566 78
Mileage	277 07
Contracted services	11 682 02
Miscellaneous	<u>468 88</u>
	<u>16 994 75</u>
Street lighting	<u>757 34</u>
Payroll taxes	<u>493 21</u>
Pension	<u>1 398 58</u>
Total Expenditures	<u><u>71 167 95</u></u>

TOWNSHIP OF ELLIS  
Cheboygan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank and Investments	<u>999 96</u>	<u>485 081 82</u>	<u>484 981 11</u>	<u>1 100 67</u>
<u>Liabilities</u>				
Due to other funds	999 96	52 129 99	52 029 28	1 100 67
Due to others	-	<u>432 951 83</u>	<u>432 951 83</u>	-
Total Liabilities	<u>999 96</u>	<u>485 081 82</u>	<u>484 981 11</u>	<u>1 100 67</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

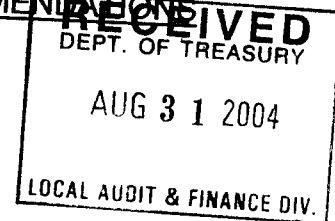
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 23, 2004

To the Township Board  
Township of Ellis  
Cheboygan County, Michigan



We have audited the financial statements of the Township of Ellis, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Ellis in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Ellis  
Cheboygan County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Ellis  
Cheboygan County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Ellis will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants